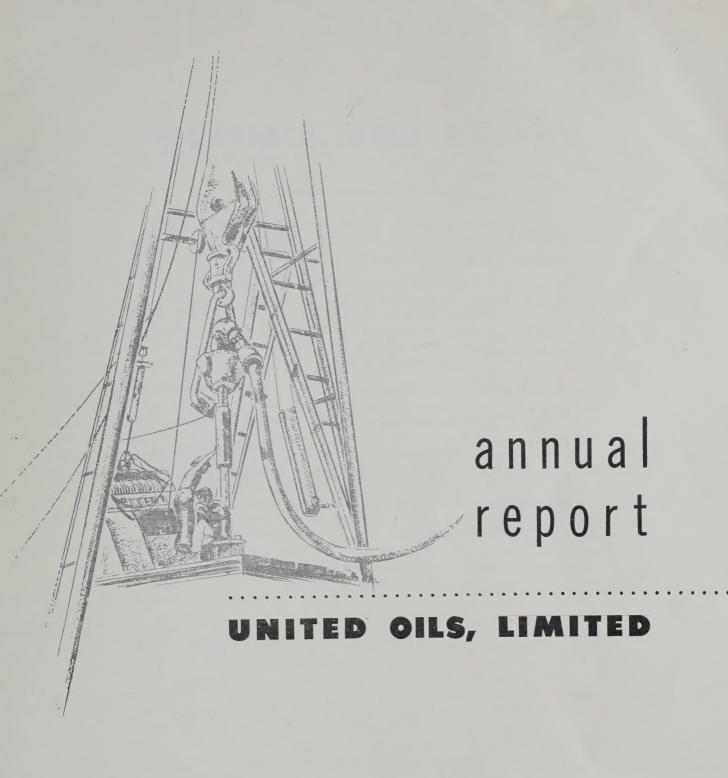
STATISTICAL FILE

# Annual Report For the year ending December 31st, 1950

UNITED OILS, LIMITED





# UNITED OILS, LIMITED

CAPITAL	
Authorized Capital—	
10,000,000 shares without	nominal or par value
Issued	6,499,256 shares.
DIRECTORS	
W. H. ATKINSON	Calgary, Aiberta
R. A. BROWN, JR.	Calgary, Alberta
F. J. GREEN	Calgary, Alberta
H. J. HOWARD	Calgary, Alberta
B. S. MACKID	Calgary, Alberta
J. A. SCRYMGEOUR	Calgary, Alberta
OFFICERS	
F. J. GREEN	Chairman of the Board
R. A. BROWN, JR.	President
N. D. McDERMID	Secretary
W. H. ATKINSON	Treasurer
TRANSFER AGENTS	
CROWN TRUST COMPANY	
	Toronto, Ontario
	Calgary, Alberta
REGISTRAR	
CROWN TRUST COMPANY	Calgary, Alberta

#### Directors' Report to the Shareholders

This report, together with the accompanying audited financial statements, covers the operations of your Company for the year ended December 31, 1956. Information on current activities to the date of this report is also included.

During the year your Company added to its holdings of Home Oil stock by the purchase of 12,400 Class A shares. United acquired effective control of Home Oil in 1955 and its holdings have a book value of \$6,528,748. At the time this report was written, the market value of United's investments in Home Oil was approximately \$15,500,000.

The Company's exploration program took a step forward during 1956 when United expanded its operations substantially. The Company, in association with Home Oil and others, participated in the discovery of oil at two successful wildcats in Central Alberta. The first, at Virginia Hills, found production in a sixty foot zone in the Slave Point formation. A second well, at Swan Hills, found production in a zone of approximately 100' of the same Slave Point formation. These wells were drilled on two separate but adjoining reservations of 92,160 acres each in which your Company, in association with Home Oil and its other partners, will earn an interest upon the completion of the drilling of four wells. The Home-United group will earn a  $33\frac{1}{3}\%$  interest in the Virginia Hills reservation and a 50% interest in the Swan Hills reservation. United is contributing  $12\frac{1}{2}\%$  of the cost of the wells and will have  $12\frac{1}{2}\%$  of the Home group interest.

At the first wildcat at Virginia Hills, a commercial gas discovery was made in the Basal Blairmore formation at 5,600 feet. In the Slave Point formation at 9,250 feet, approximately 50-60 feet of potential zone was opened up and tested. The well flowed oil to the surface in 70 minutes and when pipe was pulled, 5,000 feet of 35-40 degree oil was recovered.

On the Swan Hills Reservation, at a location about 25 miles northeast of the Virginia Hills discovery, the Slave Point formation was again encountered. A drill stem test, run in the interval 7,785 feet to 7,923 feet, resulted in a recovery of 2,500 feet of 35-40 degree oil. The well was carried down to the Pre-Cambrian basement. A drill stem test taken in the Gilwood sand, which lies immediately below the Slave Point, recovered oil and salt water.

Factors which make both these wells of great interest geologically, are the number of favorable formations which lie above and below the Slave Point. An example is the Gilwood sand which, while it contained salt water at the Swan Hills wildcat, also showed enough oil to make it a definite objective to be tested in future drilling in this area.

In addition to the Swan Hills and Virginia Hills reservations, your Company is also participating with Home in the exploration of a 162,880 acre farmout in the Grizzly Mountain area. The location of these reservations is plotted on the adjoining map.

The Company's net production of crude oil during 1956 totalled 468,000 barrels compared with 53,300 barrels in 1955.

The Company participated in a 48-well drilling program in Pembina and one completion in the Sundre field.

The Company's gross and net well position as at December 31, 1956 is shown below:

Field	Oil Wells		Capped	Gas Wells
	Gross	Net	Gross	Net
Nevis	_	_	5	.78
Pembina	64	23.60	_	-
Sundre	1	.46	- 1	
		-		
	65	24.06	5	.78
			-	I managarine

United Oils has proven developed and undeveloped gas reserves in the Nevis field. Gas contracts have been executed with Trans-Canada Pipe Lines calling for initial delivery of Nevis gas on or before November 1, 1959. The sale of natural gas, natural gasoline and other by-products will be a new source of revenue to your Company.

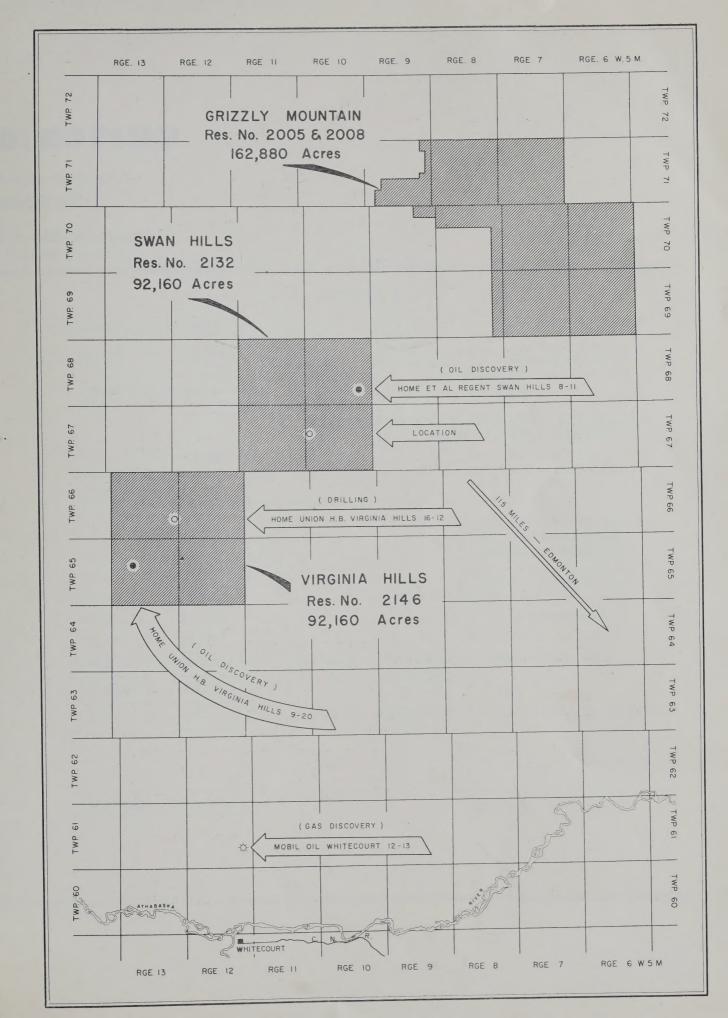
A plan to increase oil recovery in the Pembina field, by water injection, is now in operation. Your Company is studying the possibility of water injection on its properties and your Directors feel that the ultimate oil recovery may be substantially increased.

#### Financial

The Company had a profit for the year of \$334,678 before providing \$1,016,167 for surrendered leases and \$634,466 for depletion and depreciation. After providing for these charges, a net loss of \$1,315,955 was incurred compared to a loss for the year of 1955 of \$431,167.

Over a period of years your Company has followed a policy of buying proven reserves in order to obtain sufficient income to retire bank loans and meet operating and exploration expenses. We invested \$3,686,593 in such fields as Pembina and Sundre. In line with this policy we expended \$769,231 in what was considered a highly favorable 160-acre parcel in the prolific Bonnie Glen field. Unfortunately, this tract proved to be off structure and was abandoned after drilling one dry hole.

In view of your Company's important financial interest in Home Oil it is considered advisable to incorporate in this report a brief outline of Home's activities during 1956.



## UNITED OI

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#### AND SUBSIDIA

Consolidated Balance Shee (With comparative figure

Δ	Q	Q	E	T	Q
	1.7			-	N 7

ASSETS			
CURRENT ASSETS		1956	1955
Cash in bankAccounts receivable	- \$ -	333,393 11,774	40,268
	\$	345,167	\$ 40,268
INVESTMENT IN CAPITAL STOCK OF HOME OIL COMPANY LIMITED, at cost			
12,400 Class A shares		168,492 6,360,256	6,360,256
	\$	6,528,748	\$ 6,360,256
PROPERTY AND EQUIPMENT, at cost Lands, leaseholds, right and development thereon			<i>ii</i>
Producing	_ \$	5,218,981	\$ 2,121,846
Less—Accumulated depletion	_	(550,936)	(55,023)
Non-producing		560,644	1,587,399
Production equipment	_	473,131	161,293
Less—Accumulated depreciation	-	(149,840)	(11,687)
	\$	5,551,980	\$ 3,803,828
OTHER ASSETS	- \$	4,265	\$ 4,265
	\$	12,430,160	\$10,208,617

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#### COMPANY

s at December 31, 1956 s for the prior year)

#### LIABILITIES

CURRENT LIABILITIES	1956	1955
Due to bank—overdraft	\$ —	\$ 66,095
—demand loan (secured) Accounts payable Due to affiliated companies	11,442,419 4,555 6,808	7,877,715 — 392,474
	\$11,453,782	\$ 8,336,284
CAPITAL STOCK AND DEFICIT		
Capital stock Authorized— 10,000,000 shares of no par value Issued and fully paid— 6,499,256 shares (1955—6,299,256 shares) Deficit—statement attached	\$ 3,752,559 (2,776,181) \$ 976,378	\$ 3,332,559 (1,460,226) 

Approved on behalf of the Board:

R. A. BROWN, JR. Director

W. H. ATKINSON Director

\$12,430,160 \$10,208,617

## UNITED OILS, LIMITED

### AND SUBSIDIARY COMPANY

Statement of Consolidated Income (Loss) and Deficit for the year ended December 31,1956

(With comparative figures for the prior year)

INCOME		1956		1955
Sale of oil productionOther income	\$	1,156,894 1,475	\$	128,955 11,236
	\$	1,158,369	\$	140,191
EXPENSE	_		_	\
Well operating expense  General and administrative expense  (including executive remuneration	\$	84,783	\$	6,157
of \$6,900; 1955—\$6,000)	-	62,553		38,403
Non-producing property expense		14,499		13,346
Surrendered leases		1,016,167		197,354
Exploration and unproductive development		76,781		
Depletion of producing properties		495,913		53,885
Depretiation of equipment		138,553		10,758
Interest expense	-	585,075		251,455
	\$	2,474,324	\$	571,358
Loss for the year	\$	1,315,955	\$	431,167
Deficit as at January 1, 1956	\$	1,460,226	\$	1,029,059
DEFICIT as at December 31, 1956	\$	2,776,181	\$	1,460,226

## UNITED OILS, LIMITED

## **AUDITORS' REPORT**

TO THE SHAREHOLDERS

We have examined the books and accounts of United Oils, Limited and subsidiary company for the year ended December 31, 1956. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We have obtained all the information and explanations we have required and, in our opinion, the accompanying consolidated balance sheet and the related statement of consolidated income (loss) and deficit are properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs as at December 31, 1956 and the results of their operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the companies.

RIDDELL, STEAD, GRAHAM & HUTCHISON,
Chartered Accountants.

Calgary, Alberta March 22, 1957

## Home Oil Company Limited

The year 1956 was an eventful one for Home Oil and was highlighted by the following developments:

- An increase in crude oil production of 43.9%;
- The completion of 83 producing oil wells;
- Proven crude oil reserves increased by 20%;
- The completion of the Cremona pipeline to the Calgary refineries;
- The significant discovery of crude oil early in 1957 in the same formation at two widely separated wells in the Virginia Hills-Swan Hills area of Alberta.

The expansion program initiated in previous years continued during 1956 as new records were set in all phases of operations. Net production of crude oil averaged 8,864 barrels daily, and at year's end the daily rate was in excess of 10,000 barrels. Home Oil participated in the largest drilling program in its history, having a working interest in 104 wells of which 83 were oil producers and one was a gas well.

Home's cash income from operations is adequate to sustain a continuing exploration and development program of substantial proportions. Recent price increases announced for Western Canadian crude will provide additional revenue of approximately \$450,000 for Home Oil during 1957.

To provide long term financing for its requirements, Home Oil during 1956, sold convertible debentures and secured notes aggregating \$22,500,000. The proceeds from this financing were added to the general corporate funds and in part utilized to retire all prior existing bank and debenture debt and to construct the Cremona Pipe Lines Ltd. pipeline.

After providing \$3,100,000 for depletion and depreciation there was a loss of \$742,000 in 1956.

The Directors of Home have regarded Trans-Canada Pipe Lines Ltd. as the outstanding project for providing a market for the Company's large gas reserves and have sought at all times to support that Company whenever possible. In keeping with this policy, Home invested approximately \$5,000,000 in debentures and common stock of the company.

Additional sources of revenue from partially developed natural gas reserves of Home Oil will result from construction of the Alberta-Winnipeg link of Trans-Canada in 1957. The completion of the line to Ontario should also stimulate development of the natural gas resources of Alberta and activities in the petro-chemical and associated industries. This will give Home additional future income from its extensive undeveloped natural gas reserves.

Plans for 1957 call for an exploration program following up the discoveries in the Virginia Hills-Swan Hills area of Alberta. This activity will be carried out on lands obtained under three farmout agreements covering exploratory acreage of some 347,000 acres.

# Highlights of Home Oil Company's Operations

#### For the year 1956

Gross revenue from operations	\$ 8,733,166
Provision for depletion and depreciation	3,152,032
Cash generated from operations	\$ 5,010,645
Loss for year	\$ 746,246
Net crude oil production—barrels*	3,244,108
Net daily crude oil production—barrels*	8,864
Wells drilled	104
At December 31st, 1956	
Net daily production—barrels*	10,100
Gross producing oil wells	404
Net producing oil wells	246
Land—net acres	674,000
Proven Oil and LPG's Reserves—Barrels*	48,938,000
Probable Additional Oil & LPG's Reserves—Barrels*	12,325,000
Proven Gas Reserves—Billion Cubic Feet*	322
Probable Additional Reserves of Gas— Billion Cubic Feet	37
Number of shareholders	10,430
Number of employees	255

<sup>\*</sup>After deductions for royalties and partners' interests.

